Role of Commercial Banking Sector in Financial Inclusion Process in India

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Abstract

Access to a well-functioning financial system is pre-requisite for accelerating growth and a crucial poverty alleviation tool. Commercial Banking sector in India plays a significant role in bringing financially excluded section of society into the ambit of formal financial sector. The initiatives by Reserve Bank of India and Government of India have enabled considerable improvements in the access to the formal financial institutions. An attempt to provide the extent of financial exclusion and assessment of the role of banking sector in the financial inclusion process in India for the period from **2006-2015** from the different perspectives such as branch penetration, ATM penetration, Population per branch, credit and deposit analysis, credit and deposit-income ratio and cash-deposit ratio has been provided through the study. The results reveal a consistent progress in financial inclusion progress in India.

Key Words: Financial Inclusion, Commercial Banks**,** Regional Rural Banks, Geographic and Demographic Credit Penetration.

JEL Classification: G21; C23

Section1: Introduction

Since the inception of planning in India, Poverty reduction has been an important goal of development policy. Government of India has initiated wide- range of poverty alleviation, employment generation and basic services programmes for the empowerment of the poor and to improve their access to livelihood opportunities. The wide inter-state variations and the rural-urban divide in the country and the issue of poverty alleviation have addressed by the reform process. There is a limited trickledown effect of the impressive growth rate of average 8% in the last decade to the bottom of pyramid of population. India is still home to one-third of the world's poor, despite being one of the ten fastest growing economies of the world. So, in this context, Financial Inclusion can help the society and the economy.

"Committee on Financial Sector Reforms (2009), under the Chairmanship of Dr. Raghuram G. Rajan, broadly defines Financial Inclusion as universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products." The positive externalities are generated with Financial Inclusion process. It accentuates the level of savings, investments and thereby spurs the processes of economic growth. According to Acharya &Parids (2013) also states that "financial inclusion provides a platform for inculcating the habit of saving money, especially amongst the lower income category. Increase in the saving habits of the households, enhance agricultural productivity by the way of formal credit and increase the living standard of the people, which will promote inclusive growth in the country."

The creative capacities of financially excluded people are unleashed with the financial assistance of formal financial network and that allow the augmentation of domestic demand on a sustainable basis driven by income and consumption growth from such sectors. It leads to improvement of their financial conditions and living standards, enabling them to create financial assets, generate income and build resilience in terms of financial risk protection to meet macro-economic and livelihood shocks. The multiplier effect is witnessed on the economy as a whole through mobilization of higher pooled savings of unbanked population into formal financial channels and expansion in credit and investments by banks. Financial inclusion results into transfer of welfare benefits of directly to the targeted disadvantaged group of population in an efficient and leakage proofed manner. In other words, it enables the direct transfers of benefit (DBT) to beneficiaries' bank accounts rather than indirectly benefitting the targeted group through subsidizing of products and making cash payments. Thus, Financial Inclusion brings unbanked population into the formal financial system, channelize their savings, stoke their entrepreneurial ambitions by making available credit and thus give a fillip to the economy **(Chart 1)**

Chart1: Banking Sector & Financial Inclusion

The policies of government and Reserve Bank of India to bring financially excluded people in to formal financial sector have been primarily implemented through banking sector. The present paper assesses the role of banking sector in "financial inclusion process" in India.

The rest of the paper proceeds as follows: **Section 2** briefly provides the extent of financial exclusion in India. The source of data and key analytical parameters used in the study are provided in the **Section 3.** An overview of role of commercial banking sector in financial inclusion is given in **Section 4**. The exploratory results of credit side analysis of banking sector are discussed in **Section 5. Section 6** provides a discussion on deposit side analysis of banking sector in India. **Section 7** summarizes the major findings of the study.

Section 2: Extent of Financial Exclusion in India

(a) NSSO 70th Round Survey revealed "High levels of dependence on non-institutional channels. Nearly 40% of all loans came from informal sources with 26% advanced by moneylenders. Marginal land holding households suffer the most with only 15% of their credit from institutional sources such as the government, cooperatives and banks—for households in the highest land class (with land more than 10 hectares) the ratio is 79%". The survey results depict the significant role of non-*institutional* agencies or informal sector in the rural India. On an average 19% and 17% of total rural household's credit is advanced by non-*institutional* agencies and the *institutional* agencies respectively. In urban

India, the role of the *institutional* agencies is higher with institutional credit of 15% to rural households as against 10% by *non-institutional* agencies.

Table2.1: "All-India Indebtedness Incidence (IOI) to *Institutional* and *Non-Institutional* Credit Agencies by Household Asset Holding Class

Decile Class of Household Asset Holding	Incidence of Indebtedness (%)					
	Rural			Urban		
	Institutional	Non-Institutional	All	Institutional	Non-Institutional	All
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	7.9	14.0	19.6	3.4	6.5	9.3
2	7.4	17.1	22.3	6.2	10.1	14.6
3	10.8	19.1	27.1	10.6	11.9	20.2
4	12.4	18.2	27.5	12.5	14.4	24.2
5	13.0	21.9	30.9	12.1	12.6	21.7
6	16.9	21.6	33.0	14.0	12.7	23.4
7	19.1	19.3	32.7	15.7	11.6	23.8
8	22.2	21.6	37.3	18.9	10.1	25.4
9	29.2	22.1	42.6	25.6	7.1	29.4
10	32.6	15.3	41.3	29.1	5.7	31.7
All	17.2	19.0	31.4	14.8	10.3	22.4"

Source: "NSS KI (70/18.2): Key Indicators of Debt and Investment in India, 2014"

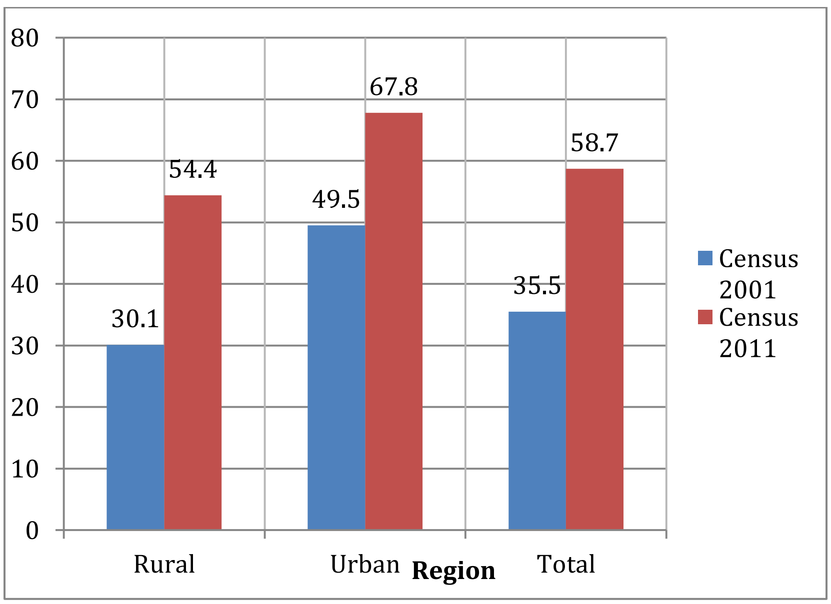
Table 2.1 shows the distribution of institutional and non-institutional credit disbursements to rural and urban households based on asset holding class. The survey results show that in general the institutional credit is higher amongst households located in the top deciles in the both rural and urban areas. In the rural sector, indebtness to institutional agencies in the top decile class (32.6%) is about 4 times as compared to the bottom decile class (7.9%) while in the urban sector; institutional credit is about 8 times amongst the households in the top decile class (29.1%) as compared to the bottom decile class (3.4%).

b) According to Census (2011), "Only 58.7% of households are availing banking services in the country. As compared with previous census 2001, there is a significant increase of availing of banking services on account of increase in banking services in rural areas" **(Chart 2)**.

c) According to the CRISIL INCLUSIX Report (2015), "Basic financial services remain underpenetrated. A large part of India's population does not have access to formal banking services or credit from MFIs. A third of Indians did not have a bank savings account at the end of fiscal 2013, while only one in seven had access to credit." The region-wise data reveals that the Inclusix score of South-India is significantly higher than the all-India Inclusix score. All other regions lag the all-India Inclusix score.

d) According to World Bank's Global Financial Inclusion Survey (2015), "The extent of financial exclusion in India is found to be higher as compared with many developed and some of the major emerging economies" **(Table2.2)**. The larger number of people per bank branch and smaller percentage of the population having access to formal financial services like bank saving accounts, credit facilities, credit and debit cards are indicative of wide extent of financial exclusion in India.

Chart 2: Availing of Banking Services



Source: Department of Financial Services, Government of India

World Bank's Global Financial Inclusion Survey (2015) states "The financial exclusion leads to persistent income inequality and slower economic growth. Since due to lack of financial access, individuals rely on their own limited, informal savings to invest in their education or entrepreneurial activities and small enterprises depend on their limited earnings to take advantage of promising growth opportunities".

On the demand side, lack of awareness, low income, poverty and illiteracy are the main reasons for financial exclusion. On the supply side, unsuitable bank products, staff attitudes, collateral, cumbersome documentation and procedures, distance from branch, branch timings, language, lack of technology etc are some of reasons from the supply side. People prefer informal credit sources to circumvent all these procedural hassles. However, it results in high cost of funds, increased exposure to unethical and unregulated providers and vulnerability and compromised standard of living.

Table2.2: Financial Inclusion Indicators, 2015

Country	ATM per 1000Km^2	ATM per 0.1 million	Branches per 1000 Km^2	Branches per 0.1 million	Bank Deposits (as % of GDP)	Bank Credit (as % of GDP)
Brazil	21.82	114.00	3.96	20.67	32.99	42.25
China[1]	3,047.62	49.75	1,367.62	22.33	446.18	310.51
France	106.41	106.98	37.31	37.52	36.55	38.93
India	61.88	19.71	42.54	13.55	65.76	50.70
Malaysia	35.39	51.12	7.38	10.66	113.94	116.29
Mauritius	228.57	45.55	120.20	23.95	171.97	77.75
South Africa	22.21	69.28	3.37	10.50	43.40	67.55
Sri Lanka	43.28	17.16	46.87	18.58	41.48	38.08
Switzerland	176.28	98.63	79.16	44.29	157.08	169.31
Thailand	124.29	113.54	13.82	12.62	77.34	75.49
United Kingdom	291.32	131.59			127.44	123.24
United States			9.36	32.87	59.53	45.59

Source: Financial Access Survey, IMF, 2015 [1] China, P.R.: Hong Kong

Section 3: Data Source and Key Variables

Basic Statistical Returns of Scheduled Commercial Bank of Reserve Bank of India (RBI) and annual reports of National Bank for Agriculture and Rural Development (NABARD) are the main source of data for the present study. At least the data for the 10 years (2006 institutional and non-institutional credit agencies to 2015) have been considered and analyzed. However, in case of Regional Rural Banks the data till 2013 has been considered as data for the rest of the years is not available. The financial inclusion indicators in terms of banking system penetration, bank credit penetration and banking saving penetration have been analyzed. The stylized facts of important financial inclusion indicators globally show that India has a very low ATM and branch availability per 100000 of population.

Section4: An Overview of Banking Sector & Financial Inclusion in India

The number of commercial Banks in a country reflects the people's participation in the formal financial system. **Table 4.1** provides an overview of expansion of Scheduled Commercial Bank's (SCBs) network in India.

Table 4.1: Expansion of Scheduled Commercial Banks (SCBs) in India

	1969	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	1	2	3	4	5	6	7	8	9	10	11
No. of CBs	89	222	183	175	170	169	169	173	155	151	152
(a) No. of SCBs	73	218	179	171	166	165	165	169	151	146	148
Of which: RRBs[1]	-	133	96	91	86	82	82	82	64	57	56
(b) Non-SCBs	16	4	4	4	4	4	4	4	4	5	4

Source: "Basic Statistical Returns of Scheduled Commercial Banks in India, RBI."[1]Regional Rural Banks

A total of 89 commercial banks in India with 73 were Scheduled Commercial Banks (SCBs) and 16 non-scheduled commercial banks were in the existence in year 1969. At that time there was no presence of Regional Rural Banks (RRBs) in India. In the year 2006, there were 133 RRBs out of the total of 218 SCBs and the total number of commercial banks in India reached 222. As on 31st March 2015, the number of commercial banks in India declined to 152 of which 148 banks were SCBs and 4 were non- SCBs. The sharp decline in the number of commercial banks is mainly due to sharp decline in number of RRBs in India. Population per branch is another indicator for measuring banking access. The bank's nationalization in the year 1969 leads to rapid expansion of branch network of SCBs in India. There is a significant fall in the population per branch from 60,000 persons in 1969 to 10300 persons 2015 mainly due to RBI's concerted efforts since 2005 to increase the branches of SCBs **(Table4.2)**.

Table 4.2 Population per Bank Branch

Year	Population Per Office (in thousands)
1969	64.0
2006	16.0
2007	15.0
2008	15.0
2009	14.5
2010	13.8
2011	13.4
2012	12.3
2013	11.9
2014	10.8
2015	10.3

Source: "Basic Statistical Returns of Scheduled Commercial Banks in India, DSIM, RBI".

For a country like India with a vast geographical area and population, the banking system should not be concentrated in a particular area and region. **Table 4.3** indicates time series data on region-wide distribution of SCBs' branches. During the year 1969, SCBs have lower proportion of bank branches in the rural areas of just 1833 branches which increased to 48498 branches in 2015.There is a consistent increasing trend in the availability of branches for all areas. However, since 2006, the growth of branch expansion in rural areas is lower than the branch expansion in urban areas.

Table4.3: No. of offices of SCBs in India according to Area

INDICATORS	1969	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	1	2	3	4	5	6	7	8	9	10	11
Offices SCBs (in number)	8262	69471	71839	76050	80547	85393	90263	98330	105437	117280	125672
(a) Rural	1833	30579	30551	31076	31667	32624	33683	36356	39195	45177	48498
(b) Semi-Urban	3342	15556	16361	17675	18969	20740	22843	25797	28165	31442	33703
(c) Urban	1584	12032	12970	14391	15733	17003	17490	18781	19902	21448	22997
(d) Metropolitan	1503	11304	11957	12908	14178	15026	16247	17396	18175	19213	20474

Source: Basic Statistical Returns of Scheduled Commercial Banks in India, DSIM, RBI.

Table 4.4: Geographic & Demographic Branch Penetration

Year	Geographic Branch Penetration*	Demographic Branch Penetration
2006	21.16593653	5.987326261
2007	21.88416321	6.098148151
2008	23.09550529	6.342235625
2009	24.29650442	6.578008898
2010	25.90726693	6.918362125
2011	27.65400882	7.287369553
2012	29.98664847	7.801106372
2013	32.39138457	8.32192913
2014	35.8401503	9.095709693
2015	38.42071657	9.633416244
2016	40.40869258	10.01159178

Source: Compiled by Authors from Basic Statistical Returns of SCBs in India, RBI.

*** India's Geographical Area = 3287.263 KM^{2}.**

The level of financial system access and availability of a country is also depicted by the geographical penetration of banking system. Literature suggested Geographic branch and ATM penetrations as the important proxy measures of financial inclusion. Geographical branch penetration means availability of total number of bank branches per 1000 km^2. Geographic ATM penetration refers to availability of total number of ATMs per 1000 km^2. The two measures denote the geographical access or penetration of bank branches and ATMs and indicative of the availability of banking branches and

ATMs to the public. The higher value of geographic branch and ATM penetrations ratio indicate the availability of bank branches and ATM services within a shorter distance and so reflects convenient access of the bank branches and ATMs services.

It is clear from the **Table 4.4** that geographical branch penetration has shown a consistent increasing trend. In 2006, geographical branch penetration score of India was 21.16, which increased to 40.41 in the year 2016. The score of geographical branch penetration was 21 in the year 2006 which almost doubled to 40 branches per 1000 km2 in the year 2016. According to the average global practice , the score of Geographical branch penetration of SCBs in India depicts that availing of banking services in India still require a travel of long distance by the people. **Table 4. 5** show geographic ATM penetration in India. There is a significant increase of ATM network of SCBs. Since 2006, the ATM geographic penetration has increased 10 times till 2016.

The Demographic branch and ATM penetrations as a proxy measure of financial inclusion indicate availability of banking branches and ATMs to the people in terms of accessibility. Demographic branch penetration refers to the availability of bank branches for every 1, 00,000 persons. Demographic ATM penetration refers to availability of ATM services for every 1, 00,000 persons of the population. The High score of demographic branch and ATM penetrations reflects an easier and convenient availability with smaller number of clients per outlet and vice versa. The “demographic and geographical branch and ATM penetrations are the important measures of financial inclusion”. Beck et al. (2007) (Satya R. Chakravarty and Rupayan Pal (2010)).

Table 4.5: Demographic & Geographic ATM penetration of SCBs in India

Year	No of ATMs	Geographic ATM Penetration	Demographic ATM Penetration
2006	21147	6.4	2.1
2007	27088	8.2	2.6
2008	34789	10.6	3.4
2009	43651	13.3	4.2
2010	60153	18.3	5.2
2011	74505	22.6	6.1
2012	95650	29.1	7.9
2013	114014	34.7	9.4
2014	161750	49.2	13.4
2015	189279	57.6	15.6
2016	212061	64.5	17.5

Source: Compiled by Author on the basis of RBI Data

Table 4.4 indicates the demographic branch penetration in India since the year 2006. It is evident that demographic branch penetration in India was 5.98 in the year 2006, which reached to 10.01 in the year 2016. It means that in the year 2006, there were about 6 branches were available for every 1,00,000 persons which has risen to 10 branches for every 1, 00,000 persons in the year 2016. Further it may be noted that geographic branch penetration in India in the year 2016 has been more than doubled in comparison to the year 2006 **(Table 4.4).** The demographic branch penetration in India, however, has increased only slightly for the same period. Thus, the bank branch expansion though impressive has not been able to keep pace with the increase in the population in India. The analysis of demographic ATM penetration scores of SCBs in India shows that, there were only 2.05 number of ATM for every 1,00,000 persons in 2006 which gone to 17.15 in 2016. The geographic ATM penetration in India has increased 10 times over the period of ten years **(Table 4.5).** The growth in demographic ATM penetration is slower than geographic ATM penetration in India (**Table 4.5)** over the same period. The considerable increase in the number of ATMs is slower than proportionate increase in population. Thus a broad overview of banking sector reveals that there is considerable decline in the population per branch of SCBs over the years. The rural areas have witnessed slower growth in bank branches penetration as compared to the different areas of India. The efforts of RBI and government of India of Rural development have been progressive but seems inadequate. Over the years, India has witnessed significant progress in Geographic branch and ATM penetration. However, the progress in branch and ATM penetration is not in the proportion to increase in population in India.

The goal of “financial inclusion” has been pursued by the RBI for a long time. The efforts of RBI to channelize the credit to the neglected sectors of the economy and weaker sections of the population can be traced back to the 1960s. The nationalization of banking operation in two phases in 1969 and 1980, priority sector lending requirements for banks, Lead Bank Scheme, establishment of RRBs to specifically cater to financial needs or rural poor, Self-Help Group-Bank Linkage Programme etc were initiated to provide the banking services to the masses. There were tangible and impressive gains in the enhancement of banking services outreach and greater credit penetration to the population. However, structural challenges inhibit the progress of financial inclusion in India. The far-flung areas of the country witnessed sparse banking facilities mainly due to the absence of appropriate technology. The development of cost-effective microfinance delivery model remains an important challenge in this scenario. The planned and structured approach to enhance financial inclusion has been adopted since 2006 by RBI. RBI’s strategy aims to address both demand as well as supply side bottlenecks. Banks are in the process of adopting the appropriate technology which is combination of ‘Brick and Mortar’ structure with ‘Mouse and Click’ technology in order reach to the people spread in the geographically dispersed areas. RBI has stressed upon the need to make available a basic banking services with few formalities such as “no frills” account either with NIL or very minimum balances to enable such accounts accessible to vast sections of the population. The framework of Banking Correspondents (BCs) has been institutionalized and regulated so as to enhance the availability of banking services especially in the remote part of the country. The regulatory measure such as mandate to open at least 25 percent new branches in the unbanked rural areas is also one of the important steps to improve financial inclusion process in India. RBI has also eased out the procedural requirements of ‘Know Your Customer (KYC)’ rules for opening bank accounts. For instance, self-certification has been allowed by RBI to open basic service bank account. The opening up of Aadhaar enabled bank accounts has been encouraged by RBI. These accounts link the bank accounts with Aadhar numbers of account holders and enable to build the central repository of credit histories of the clients. Banks are required to follow a planned and structured approach and prepare Board-approved Financial Inclusion Plans (FIPs).

Section5: Credit-Side Analysis of Role of Commercial Banks in the Financial Inclusion Process in India

Table 5.1 Credit Accounts with Scheduled Commercial Banks (in'000)

Year	Rural	Urban	Totals	Per1000 persons	Per 1000 adults
1991	49885	12061	61946	69.72	133.59
2001	36558	15807	52365	48.85	88.324
2006	50529	34907	85436	73.519	127.78
2007	53128	41314	94442	80.06	138
2008	57567	49424	106991	89.38	152.9
2009	58616	51440	110056	90.64	153.83
2010	64121	54527	118648	96.38	162.25
2011	68790	51934	120724	96.78	161.65
2012	73041	57839	130880	103.58	171.64
2013	80324	47962	128286	100.26	164.81
2014	87437	51313	138750	107.12	174.68
2015	92303	51937	144240	110.02	178.01

Source: Basic Statistical Returns of Scheduled Commercial Banks in India, DSIM, RBI.

Note: Adult population refers to the population in the age group of 20 years and above.

The expansion of credit services is indicated by the number of credit accounts of SCBs available for every 1000 persons/adults. **Table 5.1** shows the credit accounts with SCBs. It indicates that the credit accounts after declining between 1991 and 2001, increased significantly thereafter.

Table 5.2 indicates bank group wise number of credit accounts and credit outstanding with SCBs from 2006 to 2015. As on 31st March 2016, the number of credit accounts and outstanding credit is highest for the nationalized banks followed by "SBI and its associates, private sector banks, foreign banks and RRBs". The progress in the small accounts is particularly relevant in context to "financial inclusion". The analysis of credit accounts shows that the proportion of number of small credit accounts (credit limit up to Rs.25, 000) and amount outstanding is lower than the no. of credit accounts over Rs. 25,000 to Rs.2, 00,000. Further, the decreasing trend is noticed in the number of small credit accounts and the amount outstanding in the category with limit up to Rs. 25,000 and a consistent increasing trend is visible in the no. of accounts and amount outstanding for category of above Rs. 25,000 to Rs.2, 00,000. This phenomenon however, may be partly due to relocation of some small loans to the higher categories due to the impact of inflation **(Table 5.3).**

Table 5.2 Credit Accounts & Outstanding Credit with SCBs-Bank Group Wise

	Credit accounts (no)	Amount	Credit accounts (no)	Amount	Credit accounts (no)	Amount
	(in Million)	(in Rupees Billon)	(in Million)	(in Rupees Billon)	(in Million)	(in Rupees Billon)
	2006	**2006**	**2010**	**2010**	**2015**	**2015**
SBI & ASSOCIATES	18.88	3499.43	22.47	7735.29	26.93	14808.72
NATIONALISED BANKS	31.71	7251.3	36.78	17379.25	52.92	34474.39
FOREIGN BANKS	9.72	991.85	6.93	1649.55	5.3	3355.09
RRBs	13.39	366.44	18.63	827.62	22.23	1812.3
PRIVATE SECTOR BANKS	11.73	3029.41	33.83	5859.98	36.86	14334.22
ALL SCBs	**85.44**	**15138.42**	**118.65**	**33451.69**	**144.24**	**68784.73**

Source: Compiled from "Basic Statistical Returns of Scheduled Commercial Banks in India, DSIM, RBI".

Table 5.3: Credit Accounts Analysis

On the basis of Size of Credit Limit- All SCBs

	Credit for Rs. 25,000 and Less				Credit for Above Rs. 25,000 and upto Rs.2 Lakh					
Year	**Accounts (no.)**	**% to Total**	**Amount Outstanding**	**% to Total**	**Accounts (no.)**	**% to Total**	**Amount Outstanding**	**% to Total**	**TOTAL Accounts**	**TOTAL Amount**
	(in Million)	**%**	**(in Rupees Billion)**	**%**	**(in Million)**	**%**	**(in Rupees Billion)**	**%**	**(in Million)**	**(in Rupees Billion)**
2006	38.4	45	452.17	3	38.7	45.3	2032.8	13.4	85.4	15138.42
2007	38.6	40.9	459.03	2.4	45.7	48.4	2329.91	12	94.4	19470.99
2008	38.2	35.8	464.2	1.9	56.2	52.6	2846.01	11.8	106.9	24170.06
2009	39.2	35.6	429.36	1.5	56.5	51.4	3069.27	10.8	110	28477.13
2010	45.2	38.1	435.88	1.3	57.5	48.4	3171.56	9.5	118.6	33451.69
2011	43.3	35.9	473.99	1.2	58.8	48.7	3364.89	8.3	120.7	4075.65
2012	44	33.7	762.159	1.6	65	49.7	3804.05	7.9	130.9	4803.27
2013	30.9	24.1	736.82	1.3	71.4	55.7	4411.5	8.0	128.3	5525.32
2014	32.6	23.5	371.659	0.6	76.6	55.2	4895.25	7.8	138.8	6282.08
2015	29.9	20.7	359.95	0.5	81.3	56.3	5315.04	7.7	144.2	6878.47

Source: compiled from "Basic Statistical Returns of Scheduled Commercial Banks in India, DSIM, RBI".

The number of credit accounts with Regional Rural Banks (RRBs) is increasing during the period 2006 to 2012 with slight decline in the year 2013. In RRBs, most of the credit accounts (above 90%) were small borrowing accounts **(Table 5.4).**

However, the percentage of small borrower's credit accounts to total number of accounts and credit amount outstanding in small borrowing accounts to the total outstanding credit kept on declining every year except in the year 2008. "The ratio of private credit to GDP refers to as Credit- Income Ratio can also be used as a proxy for measuring the size and depth of financial markets" World Bank, 2016. Private credit to GDP here is defined as SCBs credit to GDP at market price.

Table – 5.5 shows credit-income ratio of SCBs in India. Credit-income ratio of SCBs in India is consistently showing an increasing trend during the year 2006 to year 2015. The high credit-income ratio may also indicate the ease and cost affordability of financial services for larger enterprises or wealthier individuals and vice versa.

Table 5.4: Regional Rural Banks in India- Credit Accounts/Amounts

	TOTAL CREDIT		SMALL BORROWERS			
Year	No. of Accounts ('000)	Amount Outstanding (Rupees Billion)	No. of Accounts ('000)	Amount Outstanding (Rupees Billion)	Col 4 as % of Col 2	Col 5 as % of Col 3
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2006	13,394	366.4351	13,195	301.6286	98.51	82.31
2007	14,958	478.5511	14,666	373.2991	98.05	78.01
2008	16,127	578.8656	15,753	456.8943	97.68	78.93
2009	17,013	668.2891	16,555	512.0125	97.31	76.62
2010	18,631	827.6176	18,015	606.9646	96.69	73.34
2011	20,056	98.11878	19,219	69.85	95.83	71.19
2012	20,728	116.39031	19,613	77.45616	94.62	66.55
2013	20,281	135.8621785	18,718	83.889183	92.29	61.75

Source: Compiled from "Basic Statistical Returns of Scheduled Commercial Banks in India, DSIM, RBI".

Table 5.5: Credit-Income Ratios of SCBs

Year	GDP at Market Price	Totals Credit	Credit Income Ratio
(1)	(Rupees Billion) (2)	(Rupees Billion) (3)	Col 3 divided by Col 2
2006	54950.5566	15138.41	0.275491477
2007	60041.1587	19471	0.324294208
2008	65925.9999	24170.05	0.366623943
2009	68491.1752	28477.13	0.41577809
2010	74299.0475	33451.69	0.450230402
2011	81922.0863	40756.46	0.497502711
2012	87360.39	48032.67	0.549822065
2013	92268.79	55253.17	0.59882838
2014	98394.34	62820.83	0.638459794
2015	105521.51	68784.72	0.651854963

Source: compiled from "Basic Statistical Returns of Scheduled Commercial Banks in India, DSIM, RBI".

Section 6: Deposit Side Analysis of Financial Inclusion and Banking Sector in India

The number of deposit accounts and the amount of deposits held is another key element of financial inclusion. An access to safe deposits promotes thrift and the culture of savings. The saving accounts held with SCBs over the period of time can provide an overview of bank's role in promoting financial inclusion.

Table 6.1: Deposits Accounts & Amount Per Capita of SCBs

Year	Totals Deposits Accounts	GDP at Market Price Per Capita	Deposit Account Per Capita	Total Deposits	Cash Deposit Ratio	Deposit Income Ratio
	('000)	(Rupees)		(Rupees Billion)		
2006	485098	47286.05456	417.4365453	20911.74	6.6	0.3805556
2007	519199	50895.88136	440.1162682	25970.44	7.5	0.432544
2008	581657	55072.80268	485.9005739	32499.46	8.6	0.4929688
2009	662303	56409.31522	545.4725898	39219.81	6.7	0.5726257
2010	734869	60357.39467	596.9764051	45610.29	6.8	0.6138745
2011	810130	65671.84978	649.4309173	53895.51	6.7	0.6578874
2012	903200	69136.65826	714.788816	60782.44	6.1	0.6957666
2013	1045105	72113.21775	816.807985	70126.21	5.6	0.7600209
2014	1226710	75963.05698	947.0528653	79557.21	5.4	0.8085547
2015	1439892	80486.19771	1098.273065	89221.11	5.6	0.8455253

Source: Compiled from "Basic Statistical Returns of Scheduled Commercial Banks in India, DSIM, RBI".

The number of savings accounts and the per capita deposits with SCBBs are important financial inclusion indicators. It is showing increasing trend consistently during the period under study **(Table 6.1).**The deposit account per capita means the average number of deposits account per 1000 persons. The higher deposit penetration ratio indicates the larger use of financial services and vice versa. The table indicates that the deposit account per 1000 persons in the year 2015 is 1098 and this higher score is indicative of the better access to and use of bank accounts. The recent measures like JanDhan Yojna and RBI initiatives for financial inclusion have helped to improve the deposit penetration in India.

Deposit-income ratio provides an in depth analysis of "financial inclusion" in India. It refers to the

Total deposits to GDP and reflects the "average size of deposits to GDP per capita".

Table 6.1 also indicates the deposit-income ratio of SCBs. The ratio is showing a consistent increasing trend for the period 1991-2015. According to Peachy and Roe (2006), "an economy reaches full access if the deposit-income ratio is 100 percent". The higher ratio can also signal that the deposit services are affordable to higher income group population. However, the Indian Banking Industry is witnessing the higher deposit income ratio along with increase of deposit per capita. It clearly reflects the progress in financial inclusion. Financial system development of a nation is also measured by the cash-deposit ratio. According to Peachy and Roe (2006), "an economy reached full access, if the Cash-Deposit ratio is below 20 per cent or 0.2". It is clear from the **Table 6.1** that during the year 2006-2015, cash-deposit ratio in India is significantly higher than 20%. Though, the ratio is showing a decreasing trend since 2012. This is an indicator of progress of Indian financial system. There is a long way for the Indian financial system has to reach to the full financial access. The saving accounts with RRBs are another important financial indicator for rural areas. **Table 6.2** clearly indicates an increasing trend in the saving accounts with RRBs.

Table 6.2: Saving Accounts with RRBs

Year	No. of Accounts (in Thousand)	(Amount in Rupees Billion)
2006	47478	375.5948
2007	52655	450.1418
2008	60889	528.3424
2009	74595	633.8318
2010	85213	757.1804
2011	92855	902.7898
2012	101444	986.2719
2013	114686	1083.999
2014	132768	1204.192
2015	163439	1306.577

Source: Basic Statistical Returns of Scheduled Commercial Banks in India, DSIM, RBI.

Section 7: Conclusion

The constant progress is reflected ratios of SCBs in the financial inclusion process of India in terms of deposit and credit penetration. Empirical studies have also shown that countries show higher poverty ratios and economic inequality if there exist large proportions of financially excluded population. Government of India is "committed to the mission of financial inclusion to achieve sustained development stability and inclusive growth of Indian Economy". In this context government of India is implementing multiple schemes for the purpose of inclusion of unbanked sector of society to achieve the objective of inclusive growth. Commercial banks is playing a significant role by opening new branches especially in rural areas, introducing attractive schemes of investments avail financial education Centres and increasing the number of ATMs to attract more and more people towards banking and financial system.

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